

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15

USIA-15 FEA-01 ACDA-10 IO-10 EB-07 NRC-07 OES-05

AID-05 COME-00 FRB-01 TRSE-00 XMB-04 OPIC-06 CIEP-02

LAB-04 SIL-01 OMB-01 ERDA-07 MC-02 CEA-01 FPC-01

INT-05 SAM-01 STR-04 /163 W
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R 290656Z JUL 75

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 5509

INFO AMEMBASSY ABU DHABI

AMEMBASSY AMMAN

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY MOSCOW

USMISSION USEC BRUSSELS

USMISSION OECD PARIS

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TAGS: PFOR, ENRG, FR, SA

SUBJECT: MEES ON SAUDI-FRENCH AGREEMENT

REF: PARIS 19419

SUMMARY: MEES REPORT OF LAST WEEK'S AGREEMENTS SIMILAR
OTHER PRESS REPORTS, STATING THAT DETAILS SCHEDULED FOR
NEGOTIATION IN OCTOBER AND THAT OIL TALKS WERE
/EXTREMELY INCONCLUSIVE", DUE FRENCH HESITATION AND
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PENDING NEW SAUDI-ARAMCO ARRANGEMENTS.

1. JULY 25 MIDDLE EAST ECONOMIC SURVEY (MEES) REPORT OF LAST WEEK'S BILATERAL SAUDI-FRENCH AGREEMENTS CHARACTERIZES THEM AS GENERAL, WITH DETAILS TO BE WORKED OUT LATER. IT STATES THAT "NEGOTIATIONS ON A NUMBER OF CONCRETE PROJECTS ARE SCHEDULED TO BE HELD IN SAUDI ARABIA NEXT OCTOBER". MEES SAYS THE AGREEMENTS ARE EXPECTED TO LEAD TO THE MAIN RESULTS SUMMARIZED BELOW:

A. SAUDI "INVESTMENT" IN FRANCE OF UP TO FIVE BILLION FRANCS IN LOANS, OTHER FINANCIAL PLACEMENTS, POSSIBLY REAL ESTATE AND EQUITY PARTICIPATION IN FRENCH FIRMS. FRENCH EXPERT MISSION TO SAUDI ARABIA WILL WORK OUT DETAILS AND MODALITIES.

B. FRENCH PARTICIPATION IN SAUDI DEVELOPMENT PROJECTS, UNDER JOINT COMMISSION, PARTICULARLY IN DESALINATION, TELECOMMUNICATIONS, ROAD AND RAIL TRANSPORT, HYDROGEOLOGICAL RESEARCH, THROUGH FRENCH FIRMS. FRENCH MISSION HEADED BY MINISTERS OF FOREIGN AFFAIRS, FOREIGN TRADE AND OF INDUSTRY WILL NEGOTIATE DETAILS IN OCTOBER.

2. ON OIL, MEES, PRIMARILY AN OIL JOURNAL, REVIEWED CURRENT 1974-76 BILATERAL PROVIDING FOR TOTAL OF 200 MILLION BARRELS OF SAUDI CRUDE THROUGH CFP AND ELF/ERAP AT 93 PER CENT OF POSTED PRICE AND REPORTED FOLLOWING:

A. "MEES UNDERSTANDS THAT THE TALKS IN PARIS BETWEEN THE SAUDI SIDE (INCLUDING OILMIN YAMANI) AND FRENCH OFFICIALS REGARDING A POSSIBLE NEW GOVERNMENT-TO-GOVERNMENT OIL DEAL WERE EXTREMELY INCLUSIVE. TALKS WILL BE CONTINUED BUT NO AGREEMENT IS IN PROSPECT FOR TIME BEING--AT LEAST UNTIL SITUATION WITH REGARD TO NEW SAUDI-ARAMCO ARRANGEMENT IS CLARIFIED.

B. "IT APPEARS FROM MEES SOURCES THAT HESITATION ON THIS SCORE IS MAINLY FROM FRENCH SIDE, WHOSE RESERVATIONS STEM MAINLY FROM FOLLOWING FACTORS: (1) "IF THERE IS TO BE A NEW GOVERNMENT-TO-GOVERNMENT OIL SUPPLY DEAL WITH SAUDIS, FRENCH WANT TO BE SURE THEY GET 'MOST-FAVORED-CUSTOMER' PRICE TERMS UNCLASSIFIED

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MATCHING WHAT FOREIGN OWNERS OF ARAMCO WILL OBTAIN, TAKING INTO ACCOUNT FEES AND ANY OTHER PREFERENCES. AND THIS IS VERY DIFFICULT TO ESTABLISH, PARTICULARLY AT PRESENT TIME WHEN IT IS STILL NOT CLEAR EXACTLY WHAT NEW ARAMCO TERMS WILL BE. AS FOR THEIR PRESENT PRICE OF 93 PER CENT OF POSTINGS (\$10.46/BBL ARABIAN LIGHT) FOR CURRENT THREE-YEAR DEAL, FRENCH FEEL THIS LEAVES THEM AT A DISADVANTAGE.

TAGE IN THE MARKET VIS-A-VIS THE US MAJORS WHICH HAVE CHEAPER ACCESS TO SAUDI CRUDE, WITH RESULT THAT FRENCH COMPANIES HAVE BEEN OBLIGED AT TIMES TO RESELL THEIR SAUDI GOVERNMENT CRUDE OUTSIDE FRANCE AT A LOSS. LIFTINGS OF SAUDI GOVERNMENT CRUDE BY CFP AND ELF/ERAP UNDER THE THREE-YEAR DEAL HAVE APPARENTLY DWINDLED IN RECENT MONTHS AND THERE IS SOME DOUBT AS TO WHETHER THE 1975 TARGET OF 65 MILLION BARRELS WILL BE REACHED.

(2) "SAUDI ARABIA IS ALREADY BY FAR THE LEADING SUPPLIER OF CRUDE OIL TO FRANCE, ACCOUNTING FOR MORE THAN 30 PER CENT OF FRENCH IMPORTS IN 1974. FRENCH OFFICIALS ARE THEREFORE SEEMINGLY WORRIED ABOUT BUILDING UP TOO MUCH OF A DEPENDENCE ON A SINGLE SOURCE AND WANT TO MAINTAIN RESONABLE DIVERSIFICATION OF OIL SUPPLIES FOR OBVIOUS POLITICAL AND ECONOMIC REASONS."
GODLEY

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